MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

PMA0064 – ESSENTIALS OF MANAGEMENT ACCOUNTING

(Foundation in Management)

17 OCTOBER 2019
9.00AM – 11.00AM
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **THREE** pages (excluding cover page) with **FOUR** questions.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

QUESTION 1

MyGym Bhd. has two types of exercise bicycles: Racing bike and Air bike. It uses activity-based costing to assign costs to their products. The following information has been allocated.

Costing data

Activity	Cost driver	Racing bike	Air bike	Total
Machining	Machine hours	4,000	7,000	11,000
Assembly	Direct labor hours	3,000	10,000	13,000
Quality control	Number of inspections	1,000	8,000	9,000

Activity cost data

Activity	Activity cost
Machining	RM125,000
Assembly	RM85,000
Quality control	RM74,000

Required:

a) Calculate the activity cost driver rate. (6 marks)
b) Calculate the total cost assigned for each bike. (18 marks)
c) Discuss TWO (2) advantages of activity based costing. (1 mark)

(Total 25 marks)

QUESTION 2

Startoys Bhd. manufactures and sells playmats. The normal production is 35,000 units. There was no beginning inventory. Details as at 31 December 2018 is as below:

Number of playmats produced	35,000
Number of playmats sold	29,500
Unit selling price	RM15.00
Direct material per unit	RM5.00
Direct labor per unit	RM2.50
Variable manufacturing overhead cost per unit	RM1.75
Total contribution margin	RM 47,950
Total fixed manufacturing overhead cost	RM 61,000
Total fixed advertising expense	RM 10,650
Variable selling costs per unit	RM2.40

Required:

a) Compute the product cost per unit by using variable and absorption costing method. (6 marks)

b) Prepare Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 using absorption costing. (9 marks)

Continued...

c) Prepare Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 using variable costing. (10 marks)

(Total 25 marks)

QUESTION 3

Part A

Assume the profitability analysis of departments report the following:

	ABC RM	DEF RM	HIJ RM	Total RM
Sales	1,300,000	1,050,000	1,100,000	3,450,000
Less: Variable cost	(455,000)	(300,000)	(650,000)	(1,405,000)
Less: Fixed cost	(250,000)	(210,000)	(625,000)	(1,085,000)
Net profit/(Net loss)	595,000	540,000	(175,000)	960,000

A special study indicates that department HIJ's variable costs are all avoidable and RM155,000 fixed costs are unavoidable if the department is discontinued.

Required:

Using the relevant-cost approach, should Department HIJ be continued or discontinued? (10 marks)

Part B

Roselady Sdn.Bhd. sells a single product for which the following information is provided.

Selling price per unit	RM	160
Variable costs per unit	RM	100
Fixed costs per month	RM	900,000

Required:

i) Compute contribution margin per unit. (2 marks)

ii) Compute the number of units to break-even using contribution margin approach. (2 marks)

iii) Compute the sales value (in RM) at break-even point using mathematical approach. (2 marks)

iv) What number of units will need to be sold to achieve a targeted profit of RM160,000? Compute using contribution margin approach. (3 marks)

v) What is the sales value (in RM) to achieve a targeted profit of RM160,000? Compute using mathematical approach. (2 marks)

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vi) If variable cost increases to RM120 per unit and fixed costs also increases to RM980,000, while the selling price remains the same, what will be the number of units required to maintain a targeted profit of RM160,000? Compute using contribution margin approach. (4 marks)

(Total 25 marks)

QUESTION 4

Tony Bhd. wants to prepare budgets for one of its products for year 2019. The firm sells the product for RM100 per unit and has the following expected sales (in units) for these months:

January	February	March	April	May	June
6,000	6,500	6,600	7,000	8,000	9,000

The firm's policy is to maintain an ending inventory each month equal to 10% of the following month's budgeted sales.

Required:

a) Prepare sales budget from January 2019 to May 2019. (10 marks)

b) Prepare production budget from February 2019 to April 2019. (15 marks)

(Total 25 marks)

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